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RUEHNE/AMEMBASSY NEW DELHI 2249
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SUBJECT: SIALKOT ENTREPRENEURS DISCUSS SKILLED LABOR SHORTAGES,
STATUS OF CHILD LABOR MONITORING

REF: ISLAMABAD 1178, 06 ISLAMABAD 22157

11. (SBU) SUMMARY: In a recent visit to the eastern Pakistani export center of Sialkot, Economic and USAID officers discussed the status of child labor monitoring and human resource development with private sector leaders. Our contacts were generally upbeat in their assessment of business conditions, but cited government inattention to human resources and infrastructure as particularly troublesome. The Sialkot private sector continues to take the lead in both arenas, planning additional training centers and inaugurating the country's first privately financed commercial airport. Our contacts believe that despite Nike's 2006 pull out of Sialkot on child labor concerns, factories are in compliance with international child labor standards. However, nine months after the "Sialkot Initiative" pledged to expand independent monitoring of labor conditions, little has been done. END SUMMARY.

12. (SBU) EconOff and USAIDOff traveled to Sialkot, the center of Pakistan's export-oriented surgical tool, apparel and sporting goods industries November 1-2. Roughly 70 percent of the world's hand-stitched soccer balls are produced in and around the city. While most industries report continued growth in export earnings, our contacts see inadequate skilled labor as a threat to the city's future prosperity. Raja Ashfaq, CEO of surgical tool maker New Mark Industries, believes that his firm will be unable to compete internationally in the next five to ten years unless the public and private sectors address the lack of skilled labor. Waseem Abbas, Vice Chairman of the Surgical Instruments Manufacturers Association (SIMAP), opined that government training facilities and apprentice programs do not adequately meet private sector needs. SIMAP and other business associations plan to start their own training centers, independent of government funds.

13. (SBU) Private sector leadership is not restricted to vocational training. Local entrepreneurs have taken the lead in the city's development, following inadequate government attention to Sialkot's infrastructure. Participating Sialkot entrepreneurs contribute 0.5 percent of their of their export earnings to the Sialkot Development Fund, which has funded road improvements, the creation of a dry port, and the country's first privately financed commercial airport. Despite the private sector's success, SIMAP Vice Chairman Abbas is concerned that the national and provincial governments now see Sialkot as "self sufficient" and will allocate fewer financial and other resources to vocational training center and infrastructure development.

INDEPENDENT MONITORING OF CHILD LABOR

14. (SBU) All of our contacts in the sporting goods and surgical tools industries believe that child labor violations do not occur in large factories in Sialkot. They did admit that violations had

occurred in the past, particularly in subcontracted at-home soccer ball stitching centers. Most export-oriented production factories have put into place extensive internal child labor screening procedures at the request of their international clients. In addition, the ILO set up an Independent Monitoring Association for Child Labor (IMAC) in 2002 to monitor and work against child labor in the sporting goods industry. The association is funded by participating members, all soccer ball manufacturers located in and around Sialkot. Despite IMAC's 2007 "Sialkot Initiative" to expand the association's mandate to monitor all labor conditions in multiple industries, little has been done.

15. (SBU) IMAC representatives and factory managers reported to EconOff that nine months later, most of the "Sialkot Initiative" proposals have not been implemented. While monitors do report on working conditions other than the presence of child laborers, IMAC's members are still restricted to soccer ball manufacturers. IMAC CEO Nasir Dogar reported that other industries have not shown interest in joining the association. Several factory owners, including those at surgical tool maker Tecno Instruments, professed ignorance to IMAC's existence.

16. (SBU) IMAC CEO Dogar faults the Government of Pakistan (GOP) for not encouraging other industry groups to "buy in" to the monitoring program. He described the GOP's monitoring efforts as an "uncredible deterrent," fielding only four monitors to inspect the region's more than 5,000 stitching centers. Dogar suggested that additional financial support by the ILO, coupled with increased GOP interest in the program, would be helpful in expanding IMAC's monitoring mandate.

17. (SBU) Increased scrutiny of child labor conditions in Sialkot's sporting goods industry came after Nike's 2006 decision to cease

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doing business with a Sialkot-based supplier of soccer balls due to child labor concerns. The Sialkot area had been closely monitored and certified by the International Labor Organization (ILO) and UNICEF as free of major child labor violations for several years prior to this incident. In response to Nike's 2006 pullout, the ILO called for an independent investigation of IMAC's functioning.

18. (SBU) Although IMAC received a passing grade by the ILO assessment team, it was evident to the ILO that the issues surrounding Nike's pullout of Sialkot could not be addressed under IMAC's previous mandate. The ILO convened a stakeholders workshop in Islamabad in February 2007 to discuss expanding the Association's area of focus. Conference participants produced the "Sialkot Initiative" aimed at enlarging IMAC's program scope beyond child labor to address all core international labor standards. Stakeholders agreed to seek increased government inspections and the expansion of IMAC's oversight to include industries other than soccer ball manufacturing.

COMMENT

19. (SBU) COMMENT: All of our contacts were unanimous in their assessment that the GOP is ineffective at both providing skills training and enforcing labor laws. In Sialkot, the private sector took the initiative in infrastructure development and independent labor monitoring because it was in its self interest to do so. Convincing international buyers that child labor is a thing of the past benefits the bottom line. Without active government monitoring of labor law compliance, there is an increased risk that factories with substandard labor conditions could go unnoticed.

110. (SBU) Post supports any assistance that can be provided to the ILO and IMAC to ensure that the "Sialkot Initiative" reforms succeed in transforming IMAC from a strictly child labor-oriented association to a national model for broad based, private sector-led labor initiatives. We will continue to press the GOP to copy the Sialkot initiative on a national scale as one means to make Pakistan's exports more competitive. END COMMENT.

PATTERSON